



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 22, 2008
TO: Mayor and Councilmembers
FROM: Administration, Airport Department
SUBJECT: Airline Terminal Improvement Project

RECOMMENDATION:

That Council receive an oral report on the status of the Airline Terminal Improvement Project.

DISCUSSION:

Background

On July 17, 2007, Council authorized staff to complete all design and permitting for the Airline Terminal Improvement Project. On December 11, 2007, Council received a Project update reflecting that Planning Commission had approved the development plan; a Coastal Development Permit had been issued; and the project had received concept review by the Architectural Board of Review. At that time, final design began and was expected to be complete in June 2008.

Project Design

Final design is 95% complete. On May 19, 2008, the Architectural Review Board gave the Project Final Design approval. The Project plans have been submitted to the City's Building Division for plan check. Issuance of a building permit is expected in September. Although some design refinements have been made since Council's December 2007 status report, the Project design remains essentially the same. The Project is being phased for bidding and construction purposes.

Sign Program

The Project sign program has been developed and has received approval from the City's Sign Committee. Interior and exterior sign backgrounds will be medium brown "Cottage Chocolate" and the standard font will be "Veracruz TS Regular".

Sustainability Program

Consistent with Council's vision for a sustainable city and for city government to lead by example, the Airline Terminal Project has been registered for both LEED certification and the Savings By Design Program. The Project goal is to attain a LEED Silver rating.

To further reduce the new Terminal's energy consumption, the Airport Department intends to distribute a Request for Proposals (RFP) for construction of solar canopies in the Long Term Parking Lot.

In addition to the above programs and in recognition of the broader issue of climate change, including the new Airline Terminal facilities, the Airport Department has completed a Greenhouse Gas Inventory and Carbon Footprint Reduction Plan for the entire Airport Property.

Public Arts Program

Airport staff and the Project design team have been working with the City Arts and Visual Arts in Public Places Committees on the development of a Public Arts Program for the new Airline Terminal complex. The Arts Program will consist of two components: public art that is integral to the building's architecture and a rotating display of regional art. In addition, the Santa Barbara County Arts Commission has generously agreed to loan the Airport a mural painted by the world renowned artist Channing Peake.

Financial Plan

The Project's final cost estimate has been received and is about \$2 million above the Project budget. Much of the cost above budget is attributed to the additional building space added for airline needs when the Project was completing Design Development. To control project costs the design team has developed a list of bid alternatives that can be added to the Project if the bids come in under budget.

The Project will be funded by debt financing, FAA grants, Passenger Facility Charge revenue, and airport revenue. Since revenue derived from Terminal activities is largely related to passengers, the current state of the economy and the airline industry will have an impact on the numbers of passengers flying.

The economics of the airline industry have always been sensitive to national and global economic conditions and world events. In response to skyrocketing fuel costs, the airline industry has been making air service changes at airports of all sizes from major hubs to small regional airports. Cost cutting strategies include the grounding of older, less fuel efficient aircraft, and canceling orders for new aircraft, reducing schedules and service, adding fees for checked bags, and raising fares.

Recently, significant air service changes have been announced for the San Luis Obispo Airport. San Luis' 18 daily departures will be reduced about 33% and it will lose two out of five of its non-stop destinations. Santa Maria and Oxnard Airports each have five or less daily departures to Los Angeles by United Express.

Santa Barbara Airport has 45 daily departures to twelve non-stop destinations. Air service changes will include the loss of one daily American Eagle flight to Los Angeles, the loss of one daily U.S. Airways flight to Las Vegas, and two daily U.S. Airways flights to Phoenix. However, American Eagle will be replacing its 34 seat SAAB propeller airplanes with 44 seat regional jets which results in a gain in daily seats to Los Angeles. In total Santa Barbara will have an 11% reduction in daily departures and will retain all non-stop destinations.

Santa Barbara's passenger count is up about 3% year-to-date over the same period last year (January-May); however the loss of Express Jet will result in some decline. . After the fall schedule, the airlines could make further schedule changes. At this point, the Project will continue to move forward with the conservative counsel of the City's financial advisors.

Since Council's last update, Bond Counsel has been selected and the Project's financial team has been coordinating the preparation of various documents in anticipation of issuing debt by the end of the calendar year.

Next Steps

Construction of the Terminal aircraft parking ramp and Taxiway B realignment bid has been received and will be awarded with construction beginning in September. Phase 2 – site work and soil preparation will go out to bid in August; and Phase 3 – new terminal building and parking and roadway will go out to bid this fall with construction beginning in early 2009.

The bond sale is scheduled to take place late this fall once construction bids are received for the project.

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